

Message Text

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USDA FOR REIDINGER, ERS, AND WASHENKO, FAS, FROM AGATT

E.O. 11652: N/A
TAGS: EAGR, IN
SUBJECT: FERTILIZER PRICE REDUCTIONS

1. ON FEBRUARY 7, THE GOVERNMENT OF INDIA ANNOUNCED REDUCTIONS IN THE PRICES OF SEVERAL CHEMICAL SOIL NUTRIENTS. THE PRICE REDUCTIONS, WHICH RANGED BETWEEN APPROXIMATELY 4 AND 30 PERCENT, WERE PRIMARILY AIMED AT PHOSPHATIC AND COMPLEX FERTILIZERS AND REPRESENT THE FIRST REDUCTION SINCE A SERIES OF FOUR REDUCTIONS DURING 1975-76 ENDED IN APRIL. IN LARGE MEASURE RESPONSIBLE FOR THE ANNOUNCED REDUCTIONS WERE SUCH INTERRELATED ISSUES AS THE MEAGER INCREASE IN CONSUMPTION DURING 1975-76 (APRIL- MARCH) FOLLOWING A YEAR IN WHICH FERTILIZER CONSUMPTION REGISTERED ITS FIRST DECLINE; THE NEED TO PROVIDE A FIRMED BASE FOR FUTURE INCREASES IN AGRICULTURAL PRODUCTION; AND THE NEED TO BEGIN TO ADDRESS ISSUES RELATING TO THE FOODGRAIN PROCUREMENT PRICING POLICY FOR THE UPCOMING SEASON.

2. THE NEWLY ANNOUNCED PRICES PER METRIC TON (WITH PRICES PREVAILING PRIOR TO FEBRUARY 7 IN PARENTHESES) ARE: UREA (46 PERCENT) RS 1,0650 (1,750); TRIPLE SUPERPHOSPHATE (46 PERCENT P205) RS. 1,575 (1,875); MONOAMMONIUM PHOSPHATE (11-55-0) RS 2,325 (2,685); AMMONIUM PHOSPHATE (19-20-0) RS 2,030 (2,160); AMMONIUM NITROPHOSPHATE (24-24-0) RS 1,590 (2,270); AMMONIUM NITROPHOSPHATE (26-14-0) RS 1,555 (1,645); MURIATE OF POTASH RS 795 (900);
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SULPHATE OF POTASH RS 1,295 (1,400); NPK FERTILIZERS: 11-11-11 RS 1,150 (1,200); 13-13-13 RS 1,340 (1,425); 13-13-20 RS. 1,905 (1,990); 14-14-14 RS 1,450 (1,540); 15-15-15 RS 1,520 (1,570); 17-17-16 RS. 2,090 (2,400); 24-24-12 RS. 1,570 (1,725); 14-28-14 RS. 1,855 (2,020); AND 20-10-10 RS 1,770 (1,83).

3. COMMENT: HOUGH WELCOME, THE MEAGER 5 PERCENT INCREASE IN

CONSUMPTION TO 2.781 MILLION METRIC TONS (NPK) IN 1975-76
WAS ACHIEVED ALMOST EXCLUSIVELY BECAUSE OF AN INCREASE IN THE USE
OF NITROGEN (MAINLY UREA) ON SPRING HARVESTED (RABI) CROPS AND
LEFT CONSUMPTION MARGINALLY ABOVE THE LEVEL ACHIEVED IN 1971-72.
OA 1975-76 CONSUMPTION (WITH PERCENTAGE CHANGES FROM THE
PREVIOUS SEASON IN PARENTHESES CONSISTED OF 1.992 MILLION TONS OF
NITROGEN (N) (UP 12.8 PERCENT), 443,330 TONS OF PHOSPHORUS
(P2O5) (DOWN 6.1 PERCENT), AND 266,000 TONS OF POTASH (K2O)
(DOWN 20.8 PERCENT. THE TIMING OF THESE REDUCTIONS IS
PROBABLY TOO LATE TO HAVE ANY MEASURABLE IMPACT ON OFFTAKE DURING
THE CURRENT 1977 RABI SEASON. FOR THE UPCOMING 1977 KHARIF (FALL,
WINTER HARVESTED) CROPS, THE MAGNITUDE OF ANY APPRECIABLE
INCREASE IN CONSUMPTION WILL PROBABLY DEPEND MORE UPON PERFORMANCE OF
THE 1977 SW SUMMER MONSOON AND PROCUREMENT POLICY ANNOUNCEMENTS
EXPECTED LATER THIS YEAR THAN ON THE FEBRUARY PRICE REDUCTIONS. THIS
IS PRIMARILY BECAUSE, IN THE ABSENCE OF A SIGNIFICANT RISE IN OPEN
MARKET PRICES AND/OR NOTEWORTHY TECHNOLOGICAL BREAKTHROUGH,
NUTRIENT PRICES CONTINUE TO COMPARE UNFAVORABLY WITH THOSE PRE-
VAILING BEFORE THE MARKET RISE IN JULY 1974. AS A CONSEQUENCE,
OFFICIAL EXPECTATIONS FOR A 29 PERCENT INCREASE IN OFFTAKE DURING
1976-77 TO A LEVEL APPROACHING 3.5 MILLION TONS (NPK) IS DEEMED
EXTREMELY OPTIMISTIC - ALL-THE-MORE SO IN VIEW OF SPORADIC
AND UNEVEN NATURE OF LAST SUMMER'S MONSOON AND THE RELATIVE DRYNESS
THAT HAS CHARACTERIZED THE RABI GROWING SEASON TO DATE. SCHNEIDER

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Disposition Event:
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